

ADVISORY NEIGHBORHOOD COMMISSION 4A
7600 Georgia Avenue, N.W., Suite 404
Washington, DC 20012

* * *

June 30, 2010

Commissioner Ms. Gennett Purcell
D.C. Department Of
Insurance, Securities and Banking
801 First Street NW Suite 701
Washington, DC 20002

Dear Commissioner Purcell:

The D.C. Department of Consumer and Regulatory Affairs has informed us by letter dated May 28, 2010 that a pawnbroker license application was submitted to it on May 25, 2010 for the property located at 7301 Georgia Avenue, N.W. We understand that the applicant is Famous Pawn, Inc. t/a 1st Cash Pawn ("Famous Pawn").

This letter provides ANC 4A's recommendations regarding Famous Pawn's application. Our recommendations are submitted pursuant to the provisions of the Predatory Pawnbroker Regulation and Community Notification Emergency Act of 2010 (the "Act").

We oppose issuance of a pawnbroker license to Famous Pawn because Famous Pawn fails to meet the requirements for issuance of a pawnbroker's license. Specifically, as shown below, the Commissioner lacks a basis for making the required findings for issuance of a pawnbroker's license, namely

1. "that the...character of such applicant..."[is] such as to command the confidence of the community" and
2. "that permitting such applicant to engage in such business will promote the convenience and advantage of the community".

(Emphasis added.) D.C. Official Code Sec. 47-2884.05(a)

**STANDING OF ADVISORY NEIGHBORHOOD
COMMISSION 4A ("ANC 4A")**

Famous Pawn has applied for a pawnbroker license to operate a pawnshop at 7301 Georgia Avenue N.W. In order for an Advisory Neighborhood Commission ("ANC") to have standing to oppose the issuance of a pawnbroker license, the ANC must be affected by the location of the proposed pawnshop.

The premises located at 7301 Georgia Avenue N.W. are across the street from the jurisdictional area or boundary (Georgia Avenue) of ANC 4A. In Neighbors United for a Safer Community v. District of Columbia Board of Zoning Adjustment, 647 A.2d 793, 797 (D.C.App. 1994), the District's highest Court stated:

"it would be manifestly unreasonable to conclude that the area represented by an ANC which is *physically located directly across the street from the proposed facility* for which the special exception is sought would not be affected by it." (Emphasis original.)

In view of this holding, ANC 4A is clearly an affected ANC with respect to the proposed pawnshop at issue here. Accordingly, ANC 4A has standing to submit these recommendations to you and have them given great weight in accordance with the provisions of the Act.

GROUND'S FOR RECOMMENDATIONS

Finding 1: "That The...Character Of Such Applicant..."[is] Such As To Command The Confidence Of The Community"

As to the first required finding, we note the following:

1. Famous Pawn commenced and continued for sometime renovating the premises at 7301 Georgia Avenue, N.W. under a cloak of concealment, i.e., without notifying the community of its intentions to locate a pawnshop there. See the statement of ANC Commissioner Dwayne Toliver at 3, attached hereto as Exhibit A and ANC Commissioner Sara Green at 2, attached hereto as Exhibit B.
2. Famous Pawn, on being asked on two occasions by ANC Commissioner Sara Green to attend a scheduled ANC 4B meeting, rejected her request out of hand stating, among other things, that "a meeting with the community is not necessary" and that it "does not meet with community groups." See the statement of ANC Commissioner Sara Green at 1 and 2 attached hereto as Exhibit B.
3. While the necessary permits to renovate and occupy the proposed pawnshop site were applied for and issued in Famous Pawn's name,

the artist's rendition of what the proposed pawnshop would look like, that was provided at our meeting on May 21, 2010 with First Cash's attorney (Roderick Woodson, Esq.) sets forth "First Cash" as the name of the pawnshop. See Exhibit C attached hereto.

4. While First Cash attended ANC 4A's meeting on April 29, 2010, it did so only after the passage of the Emergency Predatory Pawnbroker Regulation Act of 2010 (April 20, 2010) and the Temporary Restraining Order signed by Senior Judge Robert S. Tignor of the D.C. Superior Court on April 13, 2010, ordering, among other things, "that the Defendant [District of Columbia government] shall timely notify ANC 4A and ANC 4B... of any future application submitted to it by or on behalf of Famous Pawn, Inc. for a permit or license to establish and operate a pawnshop at 7301 Georgia Avenue..."
5. Last, but not least, when I initially contacted the real estate agent for 7301 Georgia concerning what type of business was going into the location, I was informed that the site was to be a jewelry store. Later, we ascertained that the business is in fact a pawn shop.

Looking at all of the contacts and communications noted above with Famous Pawn, ANC 4A feels justified in our view that Famous Pawn has been clandestine, uncooperative and disingenuous with our community and its leaders. We, therefore, respectfully request that you find that the applicant Famous Pawn's character is *not* such as to command the confidence of the community within the meaning of D.C. Official Code § 47-2884.05(a), as amended by § 2 of the Act.

Finding 2: "that permitting such applicant to engage in such business will promote the convenience and advantage of the community"

The Applicant Does Not Intend to Principally Service the Nearby Community

The Applicant Famous Pawn and its parent company First Cash have made it clear on two occasions (the March 25, 2010 meeting in Councilmember Bowser's office and the May 21, 2010 meeting with Mr. Rod Woodson, Attorney for Famous Pawn and 1st Cash) that the pawnshop it wishes to locate at 7301 Georgia Avenue, N.W. is principally intended to service persons living in nearby Maryland and Virginia and all of Washington, DC. See the statement of ANC Commissioner Dwayne Tolliver, attached hereto as Exhibit A and ANC Commissioner Sara Green at 3, attached hereto as Exhibit B.

In other words, Famous Pawn and First Cash have expressed a manifest intention that the principal purpose of locating the proposed pawnshop at 7301 Georgia Avenue, N.W. is not to service the nearby community but to serve as a destination store for potential customers living in parts of Maryland and Virginia and the entire District of Columbia. See the statement of ANC Commissioner

Dwayne Tolliver, attached hereto as Exhibit A and the statement of ANC Commissioner Sara Green at 3, attached hereto as Exhibit B. We submit that the statements alone of Famous Pawn and First Cash regarding the intended purpose of the proposed pawnshop strongly supports a finding by the Commissioner that the proposed pawnshop will *not* promote the convenience and advantage of the community within the meaning of D.C. Official Code § 47-2884.05(a), as amended by the Act.

Even Assuming Arguendo that Famous Pawn and First Cash Intended for the Proposed Pawnshop to Primarily Service the Nearby Community, the the Proposed Pawnshop Would Not Provide a Suitable, Needed or Beneficial Service to the Community for a Variety of Reasons

The Socioeconomics of the Community Show That the Proposed Pawnshop is not a Suitable, Useful or Needed for the Community

Pawnshops, like payday lenders and other fringe banking lenders (e.g., check cashers and rent-to-own stores) are suited to "residents of distressed urban communities in the United States." See "Does Fringe Banking Exacerbate Crime Rates? Social Disorganization and the Ecology of Payday Lending" March 22, 2010 by Dr. Charis Kubrin, George Washington University and others at 2, 3 and 5, attached hereto as Exhibit D. Shepherd Park and Takoma, the two communities neighboring the proposed pawnshop site, are not distressed communities (typically, communities with median household incomes of \$30,000 or less) as the median income for the households in these communities is \$72,209. See "Does Fringe Banking Exacerbate Crime Rates? Social Disorganization and the Ecology of Payday Lending" March 22, 2010 by Dr. Charis Kubrin, George Washington University and others at 2, 5 and 6, attached hereto as Exhibit D and Gateway Georgia Avenue 2008 Neighborhood Profiles at 4, attached hereto as Exhibit E. Therefore, for socioeconomic reasons, a pawnshop is not suitable, useful or needed at the proposed location. Accordingly, for these reasons, the proposed pawnshop would not promote the convenience and advantage of the community within the meaning of D.C. Official Code § 47-2884.05(a), as amended by the Act.

A Pawnshop Already Exists Near the Location of the Proposed Pawnshop

A pawnshop (Kiev Pawn, 6212A Georgia Avenue, N.W.) already exists 11 blocks or a 5 minute or less drive from the proposed 7301 Georgia Avenue, N.W. pawnshop site. In light of this circumstance, a second pawnshop is simply not needed in the upper Georgia Avenue, N.W. community. Moreover, a second pawnshop in the area would likely multiply the typical adverse effects of a pawnshop on the community without providing a significant benefit to the community. For these reasons, the proposed pawnshop would clearly not

promote the convenience and advantage of the community within the meaning of D.C. Official Code § 47-2884.05(a), as amended by the Act.

The Proposed Pawnshop Would Likely Increase Neighborhood Crime

The proposed pawnshop's operation would likely cause an increase in the rate of property crime (robberies, burglaries, thefts from cars, etc.) in the neighborhood surrounding the pawnshop. See "Does Fringe Banking Exacerbate Crime Rates? Social Disorganization and the Ecology of Payday Lending" March 22, 2010 by Dr. Charis Kubrin, George Washington University and others at 2 and 3, attached hereto as Exhibit D and Pawnshops and Neighborhood Crime. An Extrapolation from Does Fringe Banking Exacerbate Crime Rates? Social Disorganization and the Ecology of Payday Lending", attached hereto as Exhibit E. We think it logically follows that the likely increase in the rate of property crime in the nearby neighborhood along with criminals selling stolen goods at the proposed pawnshop and passing through the nearby streets would negatively impact in a significant way the residential and business neighbors' sense of safety and give them a feeling that their community is deteriorating socially, economically and otherwise.

The Proposed Pawnshop Would Cause a Significant Decrease in Nearby Real Property Values and Other Businesses to Leave and not Come to Business District

The value of the residential and commercial properties in the nearby neighborhoods would be significantly decreased by the proposed pawnshop. Because of the typical negative atmosphere a pawnshop generates and its impact on nearby property values, the proposed pawnshop would cause desired businesses to leave the business district where the pawnshop would be located and desired businesses to not come to the business district.

Moreover, the proposed pawnshop would adversely affect the DC Government's plan to renovate the Georgia Avenue corridor by, among other things, attracting retailing. In addition, attracting good retailers to the 62.5 acre development at Walter Reed will become more difficult by the opening of a second pawnshop near Walter Reed. The redevelopment of Walter Reed will lead to a potential increase of business opportunities. However, the ability to attract new businesses will be adversely impacted with a pawnshop as the anchor store at Georgia Avenue and Fern street. There is movement under the DC Gateway-Georgia Avenue Revitalization Corporation ("GGARC") program to attract quality businesses to upper Georgia Avenue. In addition, Gateway DC opposes the issuance of a pawnshop license at this location (See Attachment E). In both scenarios, the ability to attract new businesses will be adversely impacted by having a pawnshop as the anchor store at Georgia Avenue and Fern street.

Recommendations

For the reasons discussed above ANC 4A voted at the open, duly noticed meeting of April 29, 2010, with a quorum of Commissioners present (8 of 8 Commissioners), to oppose issuance of a pawnbroker license requested by Famous Pawn to operate a pawnshop at 7301 Georgia Avenue, N.W.

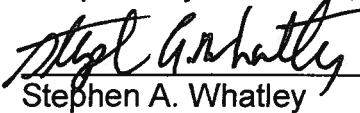
In addition, for all of the reasons discussed above, we recommend that you find:

- (1) that the character of Famous Pawn is *not* such as to command the confidence of the community within the meaning of D.C. Official Code § 47-2884.05(a), as amended by the Act and
- (2) that permitting Famous Pawn to engage in a pawnshop business at 7301 Georgia Avenue, N.W. will *not* promote the convenience and advantage of the community within the meaning of D.C. Official Code § 47-2884.05(a), as amended by the Act.

Based on our recommended findings, we recommend that you refuse to issue the pawnbroker license requested by Famous Pawn to operate a pawnshop at 7301 Georgia Avenue, NW.

If you have any questions concerning this submission please feel free to contact me at 202-720-4590.

Respectfully submitted,



Stephen A. Whatley
Chair, ANC 4A

June 30, 2010
Date

CC:

Mr. Harold B. Pettigrew, Jr.
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Ms. Yvonne Jefferson
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Mr. Dwayne M. Toliver
Commissioner, ANC 4A-02
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The Honorable Muriel Bowser
Councilmember, Ward 4
District of Columbia Government
1350 Pennsylvania Avenue, N.W., Suite 110
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Exhibit A

TESTIMONY OF DWAYNE M. TOLIVER
On
The Predatory Pawnbroker Regulation Act of 2010 (B18-0715)
and
Predatory Pawnbroker Regulation and Community Notification Temporary
Act of 2010 (B18-0746)

Good morning, Councilmember Bowser, and Council Members of the Committee on Public Services and Consumer Affairs. My name is Dwayne Matthew Toliver. I reside at 1326 Hemlock Street, NW, Washington, DC. Thank you for the opportunity to testify before you today on the Predatory Pawnbroker Regulation Act of 2010 (identified as B18-0715); and Predatory Pawnbroker Regulation and Community Notification Temporary Act of 2010 (identified as B18-0746) (collectively discussed today as, the "bills"). Please be advised that I am testifying before you today in my capacity as Advisory Neighborhood Commissioner for 4A02 (which contains portions of Shepherd Park) and as the authorized representative of ANC 4A.

ANC 4A respectfully urges this Committee to recommend that the Council votes in favor of making B18-0715 permanent legislation; adopts B18-0746 into law; and votes in favor of these bills. First, I will discuss the background giving rise to the proposed bills in order for you to more fully appreciate why the citizens of the District of Columbia desperately need the protections provided therein. Second, I will discuss the reasons supporting our request. Third, I will provide you with certain salient facts relating to our unacceptable experiences with the Department of Consumer and Regulatory Affairs ("DCRA") and First Cash Financial (doing business as, Famous Pawn and the proposed pawnbroker at 7301 Georgia Avenue, NW, Washington, DC "Famous Pawn").

By way of background, Pawnshops and Pawnbrokers are nothing more than high-interest money lenders, whose loans are over-secured by collateral. These lenders charge exorbitant interest rates and multiple fees that catapult the total transaction costs far beyond what a conventional borrower would borrow or a traditional lender would lend. Generally, Pawnbrokers make loans of last resort, rarely allow the borrower to take the loan papers out of the Pawnshop to carefully consider the costs of the loan, operate as a "destination"—resulting in little, if any, synergy among other businesses in the vicinity of the Pawnshop, and incur no risk of loss, because the loan-to-resale value (of the collateral secured) ratio is so low. Pawnshop customers typically fall into one of three categories: those who want cash and have no interest in the item pawned; those who desperately need cash and are willing to completely forego an item of value; and those who desperately need cash and are willing to pawn an item(s) off value with the hopes of buying it back at a premium. The first group of customers does not include those who need the protections of the bills. The second group of customers needs the bills' protections, because the greater the desperation, the more likely it is that the customer will upon reflection, regret their decision. The third group of customers is, most likely tilting at windmills, because they are unlikely to accumulate enough cash to buy back the item(s) pawned. The latter

two groups have one thing in common—desperation. They are most in need to the protections offered by the bills, because decisions made out of desperation without contemplation often lead to disaster. There are only eight Pawnshops currently operating under business licenses in all of DC. Does DC really want to put the business interests of a few ahead of the need to protect the many, vulnerable customers targeted by these businesses? We sincerely trust that the answer is no.

Providing at least 30 days' prior notice that a pawnbroker license application has been submitted to the Mayor to the issuance of a license, to all Advisory Neighborhood Commissions ("ANCs") in the affected ward shall give the citizens and consumers and opportunity to voice their concerns, objections, and/or support of the opening of a business, which may affect the business activity within their community. Furthermore, giving great to approve or deny the license application to all affected ANCs during their deliberations relating to the issuance of a pawnbroker's license application is reasonable and appropriate given the ANCs' close relationships to their respective community, as well as, the ANCs' knowledge or, and sensitivity to, issues of importance to the quality of life of the community.

Why do we urge this Council to adopt and pass these bills into laws? It's simple; protecting those most vulnerable to abusive lending it is the right thing to do. We concede that every customer has the right to turn around and walk out of a Pawnshop and keep their property, and try to make ends meet another way. Yet, just because you give someone a choice, does not make the consequences conscionable. Those customers faced with a Pawnshop as their "lender" know darn well that they have no traditional lender to turn to, and/or have maxed out their credit. Pawnbrokers also know this, and their business depends most heavily on the dire financial circumstances of their customers. We believe that a large part of your responsibility as our legislators is to protect those among us who are least equipped to help or protect themselves. Please do not be misled by arguments that the Pawnbrokers need interest rates that are higher than those permitted in the bills. At ANC 4A's emergency hearing on April 29, 2010, Famous Pawn's principal advised the community and commissioners that Famous Pawn could survive financially and make a profit with the proposed interest rate caps in effect. We urge this Committee to allow Pawnbrokers to use the most vulnerable of our citizens to protect the Pawnshop industry.

Brief descriptions of our experiences with the Department of Consumer and Regulatory Affairs ("DCRA") will shed valuable light on why the citizens of DC cannot rely upon either DCRA or Pawnbrokers to do the right thing by consumers in DC. First, at separate meetings of ANC 4A and ANC 4B, Nicholas Majett, of DCRA, strenuously argued in favor of its ludicrous, failed policies (as highlighted by Judge Tignor during oral arguments at the TRO hearing). Mr. Majett repeated asserted that DCRA must treat Pawnshops similar to retail stores, because it had done so in the past in interpreting DC's zoning laws to include Pawnshops as retail stores. Even after pointing out the inconsistencies between the Pawnbroker statute and that treatment, Majett continued to make an analogy between getting a driver's license and getting a pawnbroker's license. Judge Tignor completely and flatly rejected that ridiculous analogy. Mr. Majett's incessant, blind defense of the interests of businesses over consumers (by

stating that retail operations are entitled to a certificate of occupancy as a matter of right), and indefensible argument that “if DCRA changed its practice and did not issue a certificate of occupancy for the Pawnshop at the Property (i.e., DCRA must continue to compound its mistaken interpretation of DC’s zoning laws, because it did so in the past) gave further credence to consumers’ understanding that the acronym DCRA stands for “Don’t Come, Run Away!” Famous Pawn admits that the vast majority of Pawnbrokers’ income is derived from interest and fees on loans made, not the sale of merchandise pawned. Why would DCRA interpret the zoning laws to include Pawnshops as retail stores when making loans is the overwhelming majority of their business operations? DC regulates banks because it has a particular interest in how money is loaned to consumers and how consumers’ funds or property are held in deposits and for safekeeping. As the agency responsible for regulating banks in DC, it is only logical that the Department of Insurance, Securities, and Banking should regulate Pawnshops, the primary business of which is the making of loans to consumers.

We need to share some important facts about our dealings with Famous Pawn.

- ANC 4A and ANC 4B first became aware that Famous Pawn intended to open a pawnshop when ANC 4A Commissioner Stephen A Whatley noticed interior construction renovation work at 7301 Georgia Avenue, NW (the “Property”), without the requisite posting of permits related to that work. Upon being asked the nature of the construction work and future business at the Property, First Financial misrepresented that its construction work was related to its opening a jewelry store at the Property. MPD 4D advised Chairman Whatley that, in actuality, First Financial intended to open a pawnshop at the Property.
- Several community members will confirm that Famous Pawn conducted interior construction and renovations without the requisite posting of issued permits.
- It was not until well after community members began complaining about Famous Pawn’s failure to post the permits that Famous Pawn began to post those permits in accordance with applicable regulations.
- Despite repeated requests, Famous Pawn refused to attend any community meeting with ANC 4A or ANC 4B. Only after Judge Tignor, of DC Superior Court, issued the temporary restraining order (“TRO”), did Famous Pawn agree to meet with ANC 4A’s emergency hearing.
- Although ANC 4A has repeatedly expressed its support for local businesses, on more than one occasion, First Financial has admitted that its business at the Property is not intended to serve the adjoining communities of Shepherd Park and Brightwood. As a “destination” business, Famous Pawn relies upon people from outside the community as its customers, and expects that its customers from its current location in Petworth will come to Shepherd Park. In addition, Famous Pawn admits

that it has not conducted any surveys or analysis to determine if its operations would serve the interests of the adjoining communities.

Although ANC 4A believes that the bills could contain more protections for the consumers, including adding a three-day right of rescission and elimination or substantial reduction of the fees associated with the loan, it is for the aforementioned reasons and facts that ANC 4A respectfully requests that this Committee to recommend that the Council adopts the bills into laws, and that the Council votes in favor of these bills. Thank you for your time and consideration.

Exhibit B

**June 2, 2010 Public Hearing
Committee on Public Services and Consumer Affairs
B18-1715, Predatory Pawnbroker Regulation Act of 2010
Testimony of Advisory Neighborhood Commissioner 4B01 Sara Green
Representing Advisory Neighborhood Commission 4B**

Good morning Chair Bowser and Members of the Committee on Public Services and Consumer Affairs. My name is Sara Green, and I have lived at 7106 Piney Branch Road, NW, for about 35 years. I have served several terms as Advisory Neighborhood Commissioner (ANC) since the early 1980's.

I am the current Advisory Neighborhood Commissioner for Single Member District 4B01. ANC 4B01 includes part of the east side of Upper Georgia Avenue, from Dahlia Street, NW to the Silver Spring line. I am representing my constituents in ANC 4B01 and the nine members of Advisory Neighborhood Commission 4B at this hearing. (ANC 4B's two resolutions are attached.)

Regulate, Don't Ban Pawnshops

First, I want to stress that ANC 4B is not asking to ban pawnshops. But like alcohol businesses, they don't belong everywhere.

We are asking that the Council adopt permanent legislation that

- a) mandates that ANCs have "great weight" with respect to the issuance of pawnbroker licenses,
- b) curbs predatory interest rates to 24 percent for *all* pawnshop loans
- c) puts pawnshops under the jurisdiction of the D.C. Department of Insurance, Securities, and Banking (DISB).

We are very grateful to Committee Chair Muriel Bowser and Council Members Kwame Brown, Michael Brown, David Catania and Phil Mendelson for introducing bills to accomplish this and to the entire Council for adopting emergency and temporary legislation.

Why Residents And Businesses Want The Council To Regulate Pawnshops

I knew almost nothing about pawnshops and pawnshop regulation prior to January 2010. I then learned that pawnshop laws in our city have changed very little since the 1950's.

However, I have lived near Georgia Avenue for 34 years and vividly remember it in the 1980's and the early 1990's. It was a place where too many businesses sold either alcohol or some kind of sexually-oriented product, or both. It was more like Sodom and Gomorrah than the shopping district we want and need, and it had an area-wide reputation as a red light district. Quality businesses did not want to come to our community.

-- Exhibit B continued --

Testimony of Sara Green, June 2, 1010
B18-1715, Predatory Pawnbroker Regulation Act of 2010 - Page Two

Business and community groups have worked hard to improve Georgia Avenue, and there has been significant change. We're looking ahead to the redevelopment of the Walter Reed complex and we believe it will attract even more high quality businesses and employers.

Also, the Council adopted the Upper Georgia Avenue Land Development Plan, a blueprint for revitalization. And the city has already invested millions of dollars in infrastructure upgrades and other public improvements on upper Georgia Avenue.

My neighbors and constituents, including many businesses, are opposing a pawnshop for our portion of Georgia Avenue because it will have a chilling effect on the retail atmosphere in the surrounding stores and blocks. *A pawnshop will discourage investment from the quality retailers we want and need.*

You will hear from Kelly Shuy, a Georgia Avenue restaurateur who believes that a pawn outlet will have a negative impact on her business. We have signatures from other business owners who also oppose a pawnshop near their stores. (Petitions attached).

You will also receive a letter of support from the Old Town Business Association, an organization that represents businesses in Takoma DC and Takoma Park, Maryland.

You will also hear from leaders with the Takoma, DC Neighborhood Association, Concerned Neighbors, Inc. and residents who live near the proposed site of the pawnshop. They strongly believe that a pawnshop will decrease their property values and the quality of their life. (Letters and petitions attached).

These businesses and residents want the law to give their concerns -- via Advisory Neighborhood Commissions -- "great weight". "Great weight" needs to be a key element in the permanent legislation.

Other ANCs Are Asking For "Great Weight" and A Rate Cap

So far, three other Advisory Neighborhood Commissions are joining ANC 4A and 4B. They are 4C, 4G, and 6A. I am working with others and expect to share their resolutions with you in the coming months.

Famous Pawn Refused To Meet With The Community

Unfortunately, our experience with one pawn business, Famous Pawn, a national chain owned by a publicly traded company, First Cash Financial Services, is a very poor one. It provides strong evidence that communities need "great weight".

We first learned that a pawnshop signed a lease for 7301 Georgia Avenue, NW (corner of Georgia and Fern) in January, and then only as a rumor.

Testimony of Sara Green, June 2, 1010

B18-1715, Predatory Pawnbroker Regulation Act of 2010 - Page Three

It took more than a month to learn the name of the tenant and talk to a Famous Pawn representative.

During the next month we asked Famous Pawn not once, *but twice*, to meet with the community or ANC 4B and answer questions. Company Representative Chris Lee repeatedly refused, explaining that Famous Pawn does not go to community meetings because they are too unpleasant and unproductive and the company is not required to do so.

Finally, Famous Pawn met with a few of us in Council Member Bowser's office on March 25, but only after Council Member Bowser insisted. They also later met with ANC 4A, but only after a judge granted a Temporary Restraining Order giving 4A and 4B "great weight"..

DC Court Rules ANCs Have "Great Weight"

Until the Council and the Court acted, the D.C. Department of Regulatory and Consumer Affairs (DCRA), the agency that regulated pawnshops, planned to issue a pawn license without giving ANCs notification or "great weight."

According to DCRA Deputy Director Nicholas Majett, DCRA regulates pawnshops the same way it regulates shoe stores, as retail businesses, not as loan operations. (Correspondence attached)

On April 7, 2010, our neighbor, Sam Sharpe, an attorney, filed a request for injunctive relief with the Superior Court of the District of Columbia. He argued that DCRA's interpretation DC Code Section 1-207.38(d), the "great weight" statute, is wrong.

DC Superior Court Senior Judge Robert S. Tignor agreed. On April 12, 2010 Judge Tignor issued a Temporary Restraining Order (TRO) requiring that DCRA give ANC 4A and ANC 4B timely notice and "great weight" with respect to the issuance of a pawn license at 7301 Georgia Avenue. (Plaintiffs' Brief and TRO attached.)

"Great Weight" Provisions of Temporary Legislation Are Already Working

The temporary legislation has already had an enormous impact on our community. Only about one month after the Council mandated that ANCs have "great weight" with respect to issuance of a pawnbroker license, Roderic Woodson, a lawyer for Famous Pawn, initiated a meeting with us. He offered to negotiate what he called a "Memorandum of Understanding," detailing ways Famous Pawn could become a more appealing business.

For example, perhaps the type of merchandise could be limited to high-quality jewelry and the store exterior might be modified, Mr. Woodson said. And soon after the meeting, Famous Pawn cut the grass in front of the store!

-- Exhibit B continued --

Testimony of Sara Green, June 2, 1010
B18-1715, Predatory Pawnbroker Regulation Act of 2010 - Page Four

We have just learned that Famous Pawn has applied for a pawnbroker license under the provisions of the temporary legislation, which means the company is subject to "great weight" and an interest rate cap of 24 percent APR. Clearly, Famous Pawn is ready and willing to operate under the new law.

Recommendation: ANCs should receive "great weight" with respect to new pawn licenses

Recommendation: Although it is not in ANC 4B's resolution, I would also ask that the City develop a license renewal database, similar to alcohol licenses, so each store's record can be evaluated prior to renewal. Pawnshop owners, who argue that their business is unfairly stereotyped, should not object to this.

Interest Rates Should Be Capped At 24 Percent Some States Cap Interest

Interest rates vary significantly among the City's ten licensed pawnshops. It is hard to comparison shop. I visited D.C. pawnshops and called them on the phone, sometimes receiving different rates depending upon the day I asked. Some pawnshops had minimum fees. Some did not. It was confusing.

The rates I found in the District of Columbia ranged from 60 to 150 percent APR. (Advertising attached)

Also, one company, Famous Pawn, charges very different rates from state to state.

For example, according to First Cash Financial Services' Securities and Exchange Commission (SEC) Form 10-K Annual Report for the Fiscal Year ending in December 31, 2008, Famous Pawn charges its DC customers a flat \$2 per month for all pawns up to \$40. There is "an 18 percent to 60 percent annualized service charge" for pawns greater than \$40.

But In Maryland, Famous Pawn charges interest and service fees of 144 percent to 240 percent on an annualized basis, with a \$6 minimum charge per month. And In Virginia, the rates range from 120 to 144 percent annually with a \$5 minimum charge per month. In South Carolina, Famous Pawn's rates go as high as 300 percent. (See Page 4, of the SEC Report, attached.)

Clearly, the cost of doing business cannot vary this much from state to state. In fact, Mr. Woodson told us that Famous Pawn and other pawnshops base their rates "on what the market will bear." It is important to note that Famous Pawn executives told Council Member Bowser and several community representatives, including me, that Famous Pawn can

-- Exhibit B continued --

Testimony of Sara Green, June 2, 1010

B18-1715, Predatory Pawnbroker Regulation Act of 2010 - Page Five

operate profitably at the 24 percent APR mandated by B18-1715, the Predatory Pawnbroker Regulation Act of 2010. And Famous Pawn is now applying for a license with a 24 percent APR cap.

Some states recognize that rates are predatory and cap them.

In New Jersey, where there are many pawnshops, rates are capped at 3.7 percent per month, with small service charges permitted, yielding a maximum permitted interest rate of 44.4 percent. (Advertisement Attached)

In Massachusetts, each town has its own caps for amounts greater than \$25 and they range from 12 percent APR in Cambridge to 36 APR percent in 19 cities and towns, including Boston and Springfield, two large cities with a number of active and successful pawnshops. (Massachusetts rate sheet attached)

And remember, unlike a bank credit card debt, there is virtually no risk for the pawnshop lender. A pawnbroker gets 100 percent collateral for his or her loan and also sets the value of the collateral.

Recommendation: Put pawnbrokers under the jurisdiction of the Department of Insurance, Securities and Banking

Pawnbrokers are primarily lending businesses. The City agency most familiar with banking and loan issues should supervise their regulation and day-to-day operation.

Other Recommendations: The following recommendations are mine and are not part of ANC 4B's resolution.

Consumers Need More And Better Information About Loans

During my research, I visited several pawnshops in the District of Columbia. None were willing to give me their loan terms in writing to take out of the shop to review or compare. Every shop I visited told me I would get a copy of the loan agreement after I signed it.

Since loan rates and terms vary significantly from pawnbroker to pawnbroker, it is very difficult for consumers to comparison shop.

Recommendation: Pawnbrokers should be required to provide customers with a loan document that has all loan terms spelled out in plain English. This document could be taken from shop-to-shop or reviewed at the customer's leisure. At a minimum, pawnbrokers should be required to post their rates and terms on a 24" x 24" poster board on the showroom floor.

Testimony of Sara Green, June 2, 1010
B18-1715, Predatory Pawnbroker Regulation Act of 2010 - Page Six

Recommendation: Improve crime-related data reporting.

Many of my constituents tell me they believe that pawnshops contribute to crime and accept stolen goods. The pawnshop industry argues that this is an outmoded stereotype. It is good to hear that most, if not all, pawnshops voluntarily participate in the City's electronic database.

However, this system can, and should be improved to require that every pawnshop participate in mandatory *real-time* computerized reporting for all pawn items, as is done in other states.

Thank for considering these recommendations and for adopting emergency and temporary legislation.

Exhibit C



Exhibit D

**Pawnshops and Neighborhood Crime
An Extrapolation from "Does Fringe
Banking Exacerbate Crime Rates?
Social Disorganization and the Ecology of
Payday Lending" by Dr. Charis E. Kubrin
and others (March 22, 2010)
by Charis E. Kubrin, Ph.D.
April 26, 2002**

With colleagues Gregory D. Squires, Steven M. Graves, and Graham C. Ousey, I have conducted a study that examines the relationship between payday lenders and neighborhood crime rates (see attached document, "Does Fringe Banking Exacerbate Neighborhood Crime Rates? Social Disorganization and the Ecology of Payday Lending"). The study found that neighborhoods with greater concentrations of payday lenders have higher violent and property crime rates. We found this relationship remains even after controlling on a range of factors traditionally associated with crime and after addressing important methodological challenges in testing the payday lending-crime relationship. Although our study does not examine the presence of pawnshops directly, I argue the conclusion can be fairly extrapolated that pawnshops cause an increase in neighborhood crime rates based on the findings of our study. Local institutions play a key role in shaping neighborhood crime rates. This occurs in large part because such institutions structure the daily interaction patterns of residents, affect the ability of communities to exercise social control (e.g., prevent crime), and influence available routes to valued goals such as economic or community development. While some types of local institutions are beneficial to communities (e.g. libraries, recreational facilities, etc.), others can be harmful, especially in terms of promoting crime. In our study, we identify payday lenders as one local institution that is likely to cause crime. At a minimum, the availability of cash in distressed neighborhoods at readily identifiable businesses, open during evening and weekend hours, suggests a link between crime and payday lending. Residents who use payday lenders leave these establishments often with great sums of cash in their wallets, a fact likely not overlooked by potential criminals. Moreover, a concentration of payday lenders may constitute a visible sign of neighborhood decline and signal to potential criminals that informal social control is weak at best.

We also argue that an increase in crime could be attributable to the manner in which payday lenders may lubricate the cash-only drug trade. In places where cash is available on a moment's notice to anyone with a job or government check, those wanting to fuel an addiction, or deviant lifestyle, need not wait until payday with ample payday loan opportunities. And persons who find themselves in an ever descending debt spiral, perhaps pressured by the threats of debt collectors, would also seem more likely to suffer from stress, anxiety, fear and

other emotional difficulties that manifest themselves in violence, particularly against family, co-workers, friends, and neighbors. In short, we list several reasons why the presence of payday lenders in neighborhoods may cause increased violent and property crime rates in those neighborhoods. To examine whether this is the case, we performed a series of regression analyses using data on the location of payday lenders in conjunction with census and crime data for neighborhoods in Seattle, Washington. In the first set of analyses, we assessed whether payday lending and crime were related using a baseline model where only payday lending was included. In the second set of analyses, we introduced standard crime correlates (e.g., poverty, unemployment, presence of young males) to determine if any payday lending effect on crime withstands these controls. In the third set of analyses, we performed an instrumental variable analysis to help determine the direction of causality in the payday lending-crime relationship. And finally, for each analysis we accounted for potential spatial effects in order to address spatial biases that may undermine our ability to accurately determine the relationship between payday lending and crime. In short, our analytical approach was sophisticated and comprehensive.

Our key finding is that neighborhoods with greater concentrations of payday lenders have higher violent and property crime rates. This relationship holds even after controlling for a host of factors typically associated with neighborhood crime rates and after properly assessing causality and examining the data for evidence of spatial biases. We do not limit this finding to just the presence of payday lenders in communities. In the paper, we argue that payday lenders represent one piece of a larger growing “fringe banking industry” (consisting of check-cashers, rent-to-own stores, and pawnshops), which comprises a range of local institutions that can increase crime within communities.

For the reasons described above, I argue that the presence of pawnshops in communities is likely associated with heightened violent and property crime rates in those communities, based on the findings of our study.

**Statement Concerning Impact Of Locating A Pawnshop At 7301
Georgia Avenue, N.W. On Value Of Nearby Residential And
Commercial Properties**

by

**Randy Boehm
Vice-President
Gateway-Georgia Avenue Revitalization Corporation**

June 21, 2010

Gateway-Georgia Avenue Revitalization Corporation ("GGARC") unequivocally opposes the issuance of a pawnbroker license to Famous Pawn, Inc. for 7301 Georgia Avenue, N.W.

GGARC was formed in 1998 in the District of Columbia as a 501(c)(3) private nonprofit corporation. It grew out of a coalition of neighborhood and business associations known as the Gateway Coalition which consisted of Concerned Neighbors, Inc., Shepherd Park Citizens Association, Plan Takoma and the Colonial Heights Citizens Association. Representatives of these groups have been consistently included on the GGARC Board of Directors. Having been the founder of GGARC, I can say that GGARC's linkage with the community is deep and longstanding.

GGARC's mission is to provide insightful and positive direction to the revitalization of the seriously depressed Gateway Georgia Avenue (i.e., the Georgia Avenue commercial corridor extending from Fern Street, N.W. to Eastern Avenue, N.W.). We have received public funding every year for the past 12½ years from the District of Columbia government to be used towards the payment of the cost of fulfilling our mission. The proposed location for Famous Pawn, Inc.'s pawnshop (7301 Georgia Avenue) is situated inside and at the very beginning of the southern entrance to Gateway Georgia Avenue.

One of GGARC's key strategies toward revitalizing the Georgia Avenue gateway has been to re-image it as a safe, neighborhood-friendly commercial strip. The consensus in the residential community in the late 1990s was that the sidewalks of upper Georgia Avenue were unsafe and uninviting. At that time our commercial service area was characterized by a concentration of low-end liquor vendors, check-cashing operations, open air drug dealing, prostitution, and many marginal business enterprises which were unable or unwilling to keep up the appearance of their properties. Using DC funds, we have made considerable progress in changing the negative image of Gateway Georgia Avenue. We have capitalized on the City's facade improvement program to enhance the appearance of almost fifty commercial properties. We have created tree boxes and flower planters, constructed

during community events that brought out the neighborhood residents and potential customers for Gateway businesses. We hired staff to sweep trash from the sidewalks and maintain the tree boxes and flower planters. We worked with police to stem the open-air drug dealing and prostitution. And we strove to recruit businesses to Gateway Georgia Avenue that would be desirable to the residents of upper Northwest Washington.

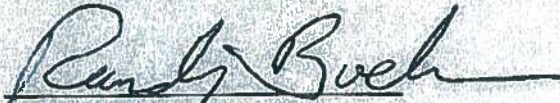
A pawnshop cuts sharply against the grain of all of our improvement efforts. Over our many years of service, we've learned that changing the image of Gateway Georgia Avenue is a slow, arduous process that requires constant maintenance. We've learned that months after we thought we'd cleaned up the drug dealing, prostitution, or loiterers, the problems would re-emerge. They would re-emerge because while the signs of progress were visible to us in the thick of revitalization, those looking to score drugs, or use our community as a temporary address for prostitution were not aware that the community was becoming less hospitable for them. The image of the Gateway for persons spending five years in prison or a couple years touring the country as a prostitution ring didn't change. And so they would reappear again and again. It became clear to us that we needed constant maintenance on re-imaging the Gateway as a safe, neighborhood-friendly business district.

With years of experience informing our judgment, we are alarmed by the proposed establishment of a pawnshop on Gateway Georgia Avenue as it will undermine the substantial investment the District of Columbia has made in reimagining the Gateway. We are alarmed that a pawnshop in the Gateway will signal to persons outside of our community that the Gateway has reverted to the semi-lawless atmosphere that we confronted in the 1990s. We are alarmed that it will signal to the middle-class neighbors whom we are trying to attract to Georgia Avenue, that the old concerns about feeling unsafe over who they may brush up against on Georgia Avenue should discourage them from visiting. And we are alarmed that any discouragement of neighborhood visitation to Georgia Avenue could have a destabilizing effect on the neighborhood-friendly businesses that have located in the area in recent years as well as other businesses in the area.

We believe there is simply too much at risk, in terms of quality of life, in terms of public funds already invested in revitalizing the area, in terms of the viability of small businesses struggling to make a go of it in the Gateway and in terms of residential and commercial property values to make the

issuance of a pawnbrokers license to Famous Pawn an affirmative action by the City.

We will pledge to work with the landlord of the 7301 Georgia Avenue property to find a suitable tenant to pay a fair rent and provide a more positive presence for our community. But we strenuously request the City not issue a pawnbroker's license to Famous Pawn for a pawnshop in our upper Georgia Avenue service area.



Randy Boehm
Vice-President
Gateway Georgia Avenue
Revitalization Corporation